Terms of Reference
for
Nova Scotia's Electricity Marketplace Governance Committee
(EMGC)

Purpose

The Electricity Marketplace Governance Committee (EMGC) will report to the Minister of Energy and recommend the implementation, development, structure, economic considerations, and rules to introduce limited electricity competition in Nova Scotia.

Energy Strategy Electricity Objectives

- To maintain access to secure, reliable, and affordable electricity generated in an environmentally responsible manner.
- To encourage long-term competition..
- To promote the growth of renewable energy sources in Nova Scotia.

Energy Strategy Policy Directions

The energy strategy made some high level policy decisions regarding the degree of electricity restructuring that will take place in Nova Scotia by 2005, which are highlighted below. The strategy also flagged policy needs for the longer term related to renewable performance standards and possibly increased competition.

- The government will work with Nova Scotia Power Inc. (NSPI) and other industry stakeholders to carefully and gradually open up the electricity marketplace in Nova Scotia.
- As a first step toward opening the markets, the government will create an EMGC, which will seek input from a broad range of stakeholders to develop detailed recommendations regarding the subsequent implementation of the specific electricity restructuring measures announced in the energy strategy.
- Introduce competition within the electricity sector in a staged and measured process beginning with supply to wholesale customers (currently six municipal utilities).
- Authorize open access transmission on NSPI facilities for all generators selling to wholesale customers or export markets.
- Introduce competition for new electricity generation capacity.

- Assist the development of an independent power producers' (IPP) renewable sector by permitting these IPPs sited in Nova Scotia to wheel 'green power' directly to customers, and setting a voluntary target of 2.5% (50MW) for new renewable generation by IPPs.

- Encourage the development of co-generation.

- Allow net metering for customers with micro-generation units.

EMGC Chairperson

In order to expedite the commencement of work and get the EMGC operational as soon as possible, the chairperson of the EMGC will be appointed by government.

The ideal candidate for this paid position will possess the following qualifications:

- independent expert with no direct connections to any of the major stakeholders in the Nova Scotia's electricity marketplace;

- possess a good understanding of the electricity issues that the EMGC will be required to resolve;

- possess excellent organizational and administrative skills;

- be a diplomatic negotiator;

- be able to work to very demanding time lines;

- possess excellent oral, written, and presentation communication skills;

- be familiar with the key stakeholders in the Nova Scotia electricity marketplace; and

- possess a thorough understanding of the functional operation of government.

The contracted chairperson should be given a one year appointment, and paid on a per diem basis at a rate and time allocation to be negotiated between the government and the selected candidate.

EMGC Membership

The membership in the EMGC will include a broad range of stakeholders. The committee will be comprised of representation from the following organizations:

- NSPI (1 representative covering its range of business functions - generation, transmission,

distribution, customer service);

- municipal utilities (1 representative from organization of municipal electric utilities);
- large customers (1 representative chosen from Canadian Manufacturers and Exporters);
- medium sized customers (1 representative chosen from the Electricity Consumers Alliance of Nova Scotia);
- residential consumers (1 representative from the Consumers Association of Canada);
- independent renewable power producers (1 representative from the Renewable Energy Industries of Nova Scotia);
- small business (1 representative from Canadian Federation of Independent Business);

In addition, the following organizations will be invited to have observer status at the meetings

- Nova Scotia Department of Energy;
- Nova Scotia Utility and Review Board. (1 observer/representative).
- Chambers of Commerce (1 representative from the Association of Chambers of Commerce)

EMGC members will be compensated for travel expenses incurred to attend EMGC meetings.

EMGC Support Services

The EMGC will have requirements for administrative services and may require occasional staff and consultant services, which will be coordinated through the Energy Department. Some of the issues to be resolved by the EMGC will require the assembly of additional information materials. The EMGC will link with the electricity policy group of the Energy Department and other government officials (for example: environment, business development, municipal affairs, etc.) as required.

Public Input to the EMGC

The EMGC members represent both their own organizations and other stakeholders in their constituency group. EMGC members will consult with these stakeholders in order to bring wider participation to the process. Aside from the input received from its membership, the EMGC must also facilitate input from other interested Nova Scotians. This will be accomplished through the public posting of all EMGC background materials, minutes, decisions, work plans, timetables etc. on a web site and encouraging individuals to

submit their views on relevant issues to the EMGC for consideration and public posting on the web site.

Deliverables and Time Lines

The EMGC will have one year, commencing April 2002, to make recommendations to the Energy Minister on several complex issues related to wholesale competition, open access transmission, and renewable generation of electricity. The Committee is expected to deliver several interim reports, followed by a final report at the end of December, 2002.

The EMGC will be required to publically post meeting minutes, background materials, interim reports outlining its progress on key decisions, and ultimately, its final report outlining its list of specific recommendations to the Energy Minister.

Overview of Key Market Design Issues and EMGC Responsibilities

Group 1 - Responsibilities to be reported on initially by December, 2002

- Recommendations on ensuring that transmission system access is available to all market participants on an equitable basis.
- Establishment of exit fees or other method for handling stranded costs.
- Responsibility for the non-contestable market (standard offer supply).
- Which customers are entitled to standard offer supply?
- The definition of renewable energy for policy purposes.
- How is new capacity added to the Nova Scotia generation system?

Group 2 - Responsibilities to be reported on initially by December, 2002

- Design of a system that retains for existing Nova Scotia consumers, the benefits of the low-cost system that they have already paid for, i.e. 'heritage assets'.
- Recommendations on the promotion of co-generation (definition, transmission access, etc.).
- How will green power marketers get access to end-use customers? Would the access in effect require physical or financial contracts between the marketer and the customer?
- What will the role of NSPI be with respect to green power in the medium and longer term?

- If the contracts are financial, how can the sellers of green power be monitored to ensure that they only sell the green power once?

- If/when a Renewable Portfolio Standard is to be implemented, what is the target capacity and time frame to achieve it? To which market participants does it apply?

- Under what circumstances should net metering be permitted? Encouraged?

Longer term issues to be reported on beyond December, 2002 (scope as yet to be finalized)

- Recommendations on creating and maintaining workable competition in the Nova Scotia electricity marketplace (market power issues).

- Recommendations on market surveillance and enforcing adherence to market rules.

- Mechanisms to determine when new investments or competitive supplies create stranded costs.

- Compatibility of the Nova Scotia system with those in the Northeast region (US and other Canadian jurisdictions).

- Issues of reciprocity and the relation to transmission developments in both Canada and the United States.

- Ability of the Nova Scotia electricity market to evolve over time as necessary.

Relationship with the UARB

The EMGC will be making recommendations to the Energy Minister regarding implementation of the energy strategy. The energy strategy sets the high level direction. The EMGC will rely on the experience of its members and extensive consultation to provide much more detail on implementation, in order to achieve overall strategy objectives. These EMGC recommendations will be used by the Energy Minister to implement changes to legislation, regulations and government policy.

The Nova Scotia Utility and Review Board (UARB) regulates Nova Scotia Power Inc., which will remain a regulated utility. The UARB will continue to oversee NSPI, approve rates for NSPI electricity service, approve open access transmission rates, determine the requirement and timing for new generation capacity, approve the structure and fees for customers accessing 'green power', etc. The UARB has ultimate authority for implementation and oversight based on the overall rules set by government.